

be adjusted by IBP on a quarterly basis pursuant to the number of Market Hogs delivered by Producer. However, the maximum amounts will never exceed the numbers referred to above. The maximum amounts may be adjusted in proportion to the number of Market Hogs delivered as compared to the Market Hogs to be delivered pursuant to the terms of this Agreement. For example, if in 1998 Producer is to deliver 400,000 Market Hogs per year (100,000 per quarter) and Producer delivers 75,000 Market Hogs during the second quarter, or 75% of what was to be delivered, the Deficiency Account maximum and the Reserve Account maximum would then be \$375,000, for the third quarter. If an adjustment is made and the balance in the Deficiency Account exceeds the new adjusted maximum amount, Producer shall have 10 days to pay IBP the amount that exceeds the new adjusted maximum amount. If an adjustment is made and the balance in the Reserve Account exceeds the new adjusted maximum amount, IBP shall have 10 days to pay Producer the amount that exceeds the new adjusted maximum amount.

The adjustment of the Deficiency Account and Reserve Account for shortages in deliveries of Market Hogs by Producer shall be at the option of IBP. Any adjustments of these amounts by IBP does not create any waiver of IBP's rights or remedies under this Agreement.

Section 9. Payment

(a) IBP shall pay Producer in full for Market Hogs by check delivered by U.S. Mail, pursuant to the U.S.D.A. Packer and Stockyard's regulations.

(b) Should IBP fail to make a required payment for a period of six (6) business days, Producer shall give IBP written notice of the failure and IBP shall have three (3) business days from the receipt of the notice to make such payment. If IBP fails to make such payment Producer may suspend deliveries of Market Hogs hereunder and sell the Market Hogs on the open market to a third party. The exercise of such right shall be in addition to any and all other remedies to Producer under this Agreement.

Section 10. Default

(a) Producer Default. For the purposes of this Agreement, a default by Producer shall be deemed to have occurred under any of the following circumstances:

(i) Producer defaults in the performance of any obligation under this Agreement and fails to cure such default within thirty (30) days following receipt of written notification of such default from IBP;

(ii) Producer is adjudged as bankrupt, or if a proceeding of any kind under any law relating to bankruptcy, insolvency or relief of debtors is initiated by or against Producer and is not dismissed within thirty (30) days;

(iii) Producer makes an assignment for the benefit of its creditors, or ceases to carry on its business;

(iv) Producer has a receiver, trustee or similar person appointed or otherwise designated in respect of its business or affairs; or